



April 30, 2009

Casualty Actuarial Section
Illinois Department of Financial and Professional Regulation
Division of Insurance
1204 Data
320 W. Washington
Springfield, IL 62786

Attn: Casualty Actuarial Section

Please find the attached files containing the exhibits for The Dentists Insurance Company (TDIC) as our submission of medical malpractice actuarial information and data required by the Illinois Insurance Code.

We have prepared our data files based on the Guidelines for the Submission of Medical Malpractice Insurance Information. Should you require additional data or any change in formatting, please do not hesitate to contact me by phone at 916.554.4940 or by e-mail at Emily.Genato@cda.org.

Sincerely,

Emily C. Genato
Emily C. Genato
Compliance Specialist

Attachments:
Control_942698799.txt
Exhibit1_942698799_2008.txt
Exhibit2a_Reserves_942698799_2008.txt
Exhibit2a_Surplus_942698799_2008.txt
Exhibit2b_942698799_2008.pdf(1)

Note:

- (1) Exhibit 2b contains the following documents:
- (a) Cover letter
 - (b) Certification by Actuary
 - (c) Certification by Chief Financial Officer
 - (d) 2008 TDIC Actuarial Reserve Report
 - (e) Schedule of files submitted and responses to reserve and surplus study questions



April 28, 2009

Casualty Actuarial Section
Illinois Department of Financial and Professional Regulation
Division of Insurance
1204 Data
320 W. Washington
Springfield, IL 62786

Attn: Casualty Actuarial Section

This letter is to confirm that the medical malpractice data filed pursuant to Section 1204 of the Illinois Insurance Code is accurate, reasonable, and appropriately reconciles to the 2008 TDIC Annual Statutory Statement.

Please feel free to contact me at 916.554.4904 if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert F. Spinelli".

Robert F. Spinelli, CPA
Chief Financial Officer
The Dentists Insurance Company



May 1, 2009

Mr. Robert F. Spinelli
Chief Financial Officer
The Dentists Insurance Company
1201 K Street Mall, 14th Floor
Sacramento, California 95814

Dear Mr. Spinelli:

This letter is written to confirm our review of the pertinent data included in TDIC's medical malpractice filing provided in response to requirements under Title 50, Chapter I, Subchapter VV, Part 4203 (Insurance Data Reporting Requirements) of the Illinois Insurance Code. Based on our review, we believe the data is accurate and reasonably reconciles with the most recently filed annual statutory financial statement. This letter may be provided as an attachment to TDIC's filing.

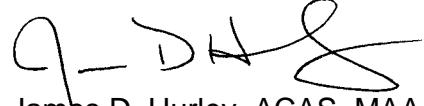
Please call if you should have questions.

Sincerely,

TOWERS PERRIN


Arthur R. Randolph, II, FCAS, MAAA
Direct Dial: (404) 365-1549

ARR:JDH/ds


James D. Hurley, ACAS, MAAA
Direct Dial: (404) 365-1632

The Dentists Insurance Company (TDIC)
Submission of Medical Malpractice Insurance Information
Pursuant to Section 1204 of the Illinois Insurance Code
Reporting Year: 2008

Schedule of Files Submitted and Responses to Reserve and Surplus Study Questions

File 1, Exhibit 1

- **Exhibit (C)(5)(1)(a)** – Direct paid losses and allocated LAE, direct incurred losses and allocated LAE
- **Exhibit (C)(5)(1)(b)** – Earned exposures
- **Exhibit (C)(5)(1)(c)(i)** – Claims made policies, occurrence policies
- **Exhibit (C)(5)(1)(c)(ii)** – Cumulative loss array by accident year, by calendar year
- **Exhibit (C)(5)(1)(c)(iii)** – Cumulative loss array by report year, by calendar year
- **Exhibit (C)(5)(1)(c)(iv)** – Maturity year and tail factors used in the most recent rate filing
- **Exhibit (C)(5)(1)(c)(v)** – Factors used in most recent filing

File 2 – Exhibit 2A

- **(C-5)(2)(a) Reserve Part 1** – Reserves on a going forward basis, in order to accumulate ten years of data similar to Schedule P of NAIC Annual Statement
- **(C-5)(2)(a) Reserve Part 2** – Incurred direct and assumed losses and cost containment
- **Exhibit 2B Reserve Study** shall contain a written response to each question below in the format prescribed in Appendix B, File 4 – Exhibit 2B Description.
 1. Provide a general description of the actuarial methodologies used to determine and monitor carried loss and loss adjustment expense reserves for the medical malpractice business written, including frequency of review.

TDIC Response:

- **General**

Projections of TDIC net ultimate loss and allocated loss adjustment expense (“ALAE”) for its professional liability exposure at December 31, 2008 are based on several methods including: incurred accident year by report year (“AY by RY”), paid AY by RY, incurred accident (report) year and paid accident (report) year projections. These methods have been supplemented by an expected loss projection based on a pure premium analysis. In addition, appropriate higher limits and extended reporting liabilities have been evaluated.

The projections of ultimate loss have been made using basic limits (indemnity limited to \$100,000 including unlimited ALAE) data. Basic limits are used to avoid possible distortions

due to the presence or absence of one or two large claims as well as to avoid possible problems from changing retentions over the historic period.

Increased limits factors are applied to the basic limits ultimate losses to reflect TDIC's net retentions. The selected factors are based on a review of actual TDIC net to basic limits experience and indicated industry increased limits factors. The results for the more recent years rely primarily on the industry factors due to the immaturity of the TDIC results.

- **Extended Reporting Liability (ERE)**

Projection of TDIC's net professional liability for unreported claims on the EREs issued is based on the exposure data provided by TDIC, projections of pure premiums based on the occurrence/claims-made ultimate losses, and an experience ratio of 1.495. The experience ratio is used to reflect historical patterns of actual losses for TDIC ERE exposures which have been persistently greater than expected losses.

- **Total Limits**

Ultimate losses for TDIC professional liability on a direct basis are estimated giving consideration to three methods: basic limits multiplied by a selected increased limits factor (basic limits/ILF method), incurred Bornhuetter-Ferguson technique, and paid Bornhuetter-Ferguson technique.

2. Discuss the adequacy of medical malpractice loss and loss adjustment expense reserves as of the most recent year-end and identify and describe any material changes in the past five years in amounts of carried reserves and in reserving methods. If a material unfavorable trend exists, indicate what actions were taken to address the issue. Identify the materiality standard used to respond to this question and provide the basis for this standard.

TDIC Response:

As of December 31, 2008, TDIC booked loss and LAE reserves at the level indicated in the actuarial reserve analysis report. There are no material changes in the past five years in amounts of carried reserves and in reserving methods.

3. Compare company trends to industry trends, with regards to the medical malpractice line of business and include information about the specific business written by the company and, if necessary, reasons why company trends are different from the industry.

TDIC Response:

TDIC writes dental professional liability and some property coverage, primarily in California. TDIC has only been writing coverage in Illinois since 1997, and the volume of business is too limited to obtain a credible trend factor; however, California trends run in the 4-5% range.

- **(C-5)(2)(a) Surplus Study** – information and data pertaining to company
- **Exhibit 2A Surplus** – data

- **Exhibit 2B Surplus Study** shall contain a written response to each item below in the format prescribed in Appendix B – File 4 – Exhibit 2B Description.
 1. Provide a general discussion regarding the adequacy of surplus reported on Annual Statement, page 3 (Liabilities, Surplus and Other Funds), line 35, Surplus as regards policyholders, as of the last year-end.

TDIC Response:

At December 31, 2008, the Company's surplus was \$128,072,809. The fact that the surplus is approximately 3 times greater than the Company's annual gross written premiums provides the Company with great leverage on claims paying and more than adequate capitalization.

2. Identify and describe any material events or known material trends, favorable or unfavorable, in the insurer's account in the past five years. This description should include any significant changes in the surplus ratios shown in Exhibit A. If material unfavorable trend exists, indicate the course of remedial actions already taken or that are available to the insurer and the effects or potential effects of each. Identify the materiality standard used to respond to this item and provide the basis for this standard.

TDIC Response:

As it has demonstrated in Exhibit A, the Company has maintained more than adequate surplus ratios over the past five years. For the year ended December 31, 2008, the Company's surplus decreased by 8.8% from the prior year-end due to a decrease in its equity portfolio primarily due to a downturn in the economy. The Company carefully monitors cash and cash equivalents and believes that cash flow from operations and investments will provide the Company with sufficient resources to meet its present and future cash needs. The Company views its equity holdings as long-term investments.

3. The Consulting Actuarial Report and Data Supporting the Company's Rate Filing shall be included in File 4, as referenced in Appendix B. Each company shall file the actuarial report providing justification and data supporting the most recent medical malpractice rate filing.

TDIC Response:

The 2008 Actuarial Report is attached in pdf format.

Company Defined Items

1. For all reports requiring "by county" information, the company may group the data by policy issuing county or other method that is consistent with its ratemaking practices. The company must identify which method is used. The company must use a consistent method to group the data in all "by county" reports. Data grouped by territory is unacceptable. Describe any changes made to the way in which the data has been grouped during the past ten years and the impact of the change(s) on the reports.

TDIC Response:

The "by county" detail has been provided for all reports that require the data to be grouped by county.

2. Describe any change(s) made to reserving or claim payment practices in the past ten years and the impact of the change(s) on the reports.

TDIC Response:

There have been no changes in either reserving or claim payment practices.

3. Define closed claim, i.e., is a claim closed when it is assigned a closed date, or when both indemnity plus expense reserves are \$0, or in some other instance? Describe any change(s) made to this definition in the past ten years and the impact of the change(s) on the reports.

TDIC Response:

A claim is considered closed when it is assigned a closed date. There has been no change in this definition in the past ten years.

4. Explain/define the corporate policies written by the company.

TDIC Response:

TDIC has not written any corporate policies.

5. Each company shall use the base class and territory that is consistent with its most recent rate filing. Please define your company's base class and territory. Describe any change(s) made to the base class and/or territory in the past ten years and the impact of the change(s) on the reports.

TDIC Response:

The TDIC base class and territory are Class JN and Territory 2. There have been no changes made to the base class or territory.

6. Describe any adjustment(s) made to exposures for extended reporting endorsements and the impact of the adjustment(s) on the reports.

TDIC Response:

The exposures for extended reporting endorsements are fully earned when issued, and are reported as occurrence exposures. Reported claims-made exposure includes claims-made exposure only.

7. For the maturity year and tail factors disclosure, list each tail factor with the corresponding maturity year if a different tail factor is used for each maturity year. If another method is used, list and describe factors and method used.

TDIC Response:

The tail factors are shown by maturity year in Exhibit 1civ.

8. Define what expenses are included in the expense factor.

TDIC Response:

The expenses include commissions and brokerage fees, underwriting and miscellaneous expenses and taxes, licenses and fees.

9. List and define individually any “other” factors used in the rate filing to establish rates. This could include but is not limited to the following: profit load, reinsurance load, investment income, schedule debits/credits, etc.

TDIC Response:

No other loadings were incorporated in the Company's rates.

10. Describe any methods and/or assumptions used in creating Reserve Study Exhibit As and why these assumptions are necessary.

TDIC Response:

Our extended reporting endorsement policies are occurrence-based. A claim is given the status “closed” when it has been assigned a closed date and is not currently reopened. IBNR reserves are allocated to Illinois based on the percentage of total TDIC case reserves for the respective reporting year. Paid A & O is allocated to Illinois based on the percentage of losses and ALAE incurred. Unpaid A & O is allocated to Illinois based on the percentage of losses, ALAE and paid A & O.

Reconciliation

1. Describe the process used to reconcile the data filed under this requirement to the annual statutory financial statement. Please include the magnitude of any discrepancies, a description of the differences, and the reason(s) for the differences.

TDIC Response:

Reserve study data is reported in accordance with NAIC Annual Statement instructions. Premiums earned, losses, reserves and surplus data were reconciled to the 2008 TDIC Annual Statement and have been reviewed by a qualified actuary. There are no material discrepancies.

2. The company's senior financial officer and a qualified actuary must certify that the data filed under these requirements is accurate and reasonably reconciles with the most recently filed annual statutory financial statement.

TDIC Response:

Please see attached statements.

